



**United States Department of Justice  
United States Attorney's Office  
District of Minnesota**

**Frank J. Magill,  
Acting United States Attorney**

David Anderson, Public Affairs Specialist  
(612) 664-5684; cell: (612) 730-2251

## **News Release**

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### **Roseville real estate company and its owners plead guilty to \$35 million mortgage fraud**

The two owners of a Roseville real estate company pleaded guilty today in federal court to mortgage fraud in connection with a scheme involving at least 162 properties, principally in north Minneapolis, and mortgage proceeds of approximately \$35 million.

Jonathan Edward Helgason, 45, Chisago City, and Thomas Joseph Balko, 37, Rogers, along with their company, TJ Waconia LLC, entered their guilty pleas April 17 in Minneapolis before United States District Court Judge Joan Ericksen.

According to their plea agreements, Helgason, a licensed real estate agent, and Balko were the owners of numerous companies, including TJ Waconia, Total Title LLC, Complete Real Estate Services, Inc. and CityWide Management, LLC and Investor's Warehouse LLC (the TJ Group).

From approximately 2005 to 2007, Helgason and Balko executed a scheme to defraud and to obtain money by means of false and fraudulent pretenses. Using the TJ Group, Helgason and Balko purchased approximately 162 properties throughout the Twin Cities metropolitan area, principally in north Minneapolis. They would then resell the property within a few weeks to an "investor" who would purchase the property, sight unseen, at a price set by Helgason and Balko without negotiation, oftentimes \$20,000 to \$60,000 more than that the TJ Group had paid.

According to the plea agreements, people were told by Helgason and Balko that the investors were simply "lending" his or her credit to TJ Waconia. In exchange for "lending" their credit, the investor would receive a kickback payment of about \$2,500 and a promise of an additional payment after two years when the TJ Group was to repurchase the property from the investor.

Through the scheme, the defendants perpetrated a fraud on the lenders who were led to believe that the "investors" were the actual owners of the properties, when, in fact, the "investors'" ownership was in name only. During the two-year period during which the investor

owned the property, the TJ Group was responsible for all payments and maintenance on the property. In some instances, Helgason and Balko also provided investors with funds to pay the buyer's portion of the property purchase price and worked with others to provide lenders with false loan applications on behalf of the investors so that they would qualify for the loan, according to the plea agreements.

The two men, on behalf of the investors, obtained approximately \$35 million in mortgage proceeds to purchase the properties from the TJ Group. Ultimately, the scheme collapsed, and the TJ Group did not repurchase the properties or continue making payments to the investors in order to pay their mortgages. The investors were left owning properties with mortgages that exceeded their property's market value.

The three defendants each face a potential maximum penalty of 20 years in federal prison. Judge Ericksen will determine the sentences at a future date.

This case is the result of an investigation by Federal Mortgage Fraud Task Force, including the Federal Bureau of Investigation and the United States Postal Inspection Service, and is being prosecuted by Assistant U.S. Attorney Joe Dixon.